



HISTORICAL OVERVIEW

For close to a century, the Arizona State Land Department has managed State Trust Lands. These lands were granted by the Federal Government to Arizona at the time of its establishment as a territory in 1863; additional lands were conveyed upon statehood under the Enabling Act of 1910. Arizona created the Land Department as a condition of statehood, and accepted the responsibility of State Trust Land management. Today, the Trust controls approximately 9.3 million acres, representing 13% of all land in Arizona, and all revenue produced for the 13 Trust beneficiaries.

It is the Land Department's responsibility, on behalf of the beneficiaries, to assure the highest and best use of State Trust Lands. The Federal Enabling Act and State Constitution mandate that a fair market value must be obtained from all State Trust Land transactions. Reflected in the unique properties offered for sale or lease throughout the State, the Trust's diversity of lands has always been its most valuable resource.

PURCHASING STATE TRUST LANDS

All State Trust Land transactions must be in accordance with the State's mandate to assure the highest and best use of the land, and to act in the best interest of the Trust. The purchasing process is initiated by an application, completed by the applicant in consultation with Department staff, and filed with the Land Department. Submission of an application does not guarantee that the land will be sold. The Trust cannot subsidize development for any purpose, no matter how commendable, at the expense of its beneficiaries. All sales of State Trust Land must be approved by the Board of Appeals, an independent body of 5 members, appointed by the Governor. The Land Department is authorized to pay commissions to Arizona licensed real estate brokers.

EVALUATION CRITERIA

The Land Department will review a purchase application, taking into consideration at a minimum: the income potential to the Trust; proposed use; archaeology; hydrology; geology; impact to adjacent State Trust Lands; availability of utilities / infrastructure; access; proximity to existing development; parcel size; and conformance with local jurisdiction regulations.

PURCHASING PROCEDURES AND FEES

An Application Addendum, signed and dated by the Real Estate Division, must accompany any new application for

ARIZONA STATE LAND DEPARTMENT Purchasing

purchase. If the Application Addendum does not accompany the application, if it is not signed and dated, or if the application is not submitted within 90 days of the Application Addendum Conference date, the application will be rejected. The complexity of the sale is the determining factor in the length of time it takes to process an application. The estimated processing time for a purchase may exceed one year. Generally speaking, the application will require the following:

1. Legal Description: A new application must contain the township, range, section, description, acreage and county where the land is located. An ALTA land survey may be required as part of the application process.

2. Appraisal of State Trust Land: All State Trust Land transactions must be in accordance with the State's responsibility to receive an appropriate return for the Trust beneficiaries. The Land Department will obtain a property appraisal from an independent appraiser, and the applicant must either prepay the cost of the appraisal or the cost will be assessed as a fee at auction. The approved appraised value establishes the minimum acceptable bid at the time of auction.

3. Legal Advertising: As required by the Enabling Act, the legal auction notice, after approval by the Board of Appeals and Land Commissioner, is advertised consecutively in two publications for a 10-week period, prior to the public auction. An estimated advertising expense fee is required from the applicant, and must be received prior to the Land Department scheduling the public auction.

4. Additional Expenses: Depending on the location of the land applied for, the proposed use, and type of lease, there may be additional costs incurred, and are the responsibility of the applicant. There may be additional costs that are the responsibility of the applicant. These may include, but are not limited to: ALTA Land Survey; Archaeological Survey; Geotechnical Report; Infrastructure Analysis; Phase I Environmental Assessment Report and Appraisal Report. The applicant may be required to front these costs, which may be reimbursed, upon approval of the Land Commissioner, in the event that the applicant is not the successful bidder at an auction.

5. Reimbursable Improvements: If existing improvements on the property are deemed reimbursable by the Land Department, a formal appraisal is completed to establish their current value. Temporary or removable structures are not considered a reimbursable. A minimum of 10% of the appraised value of the improvements is required at the time of auction, with the balance due in 30 days. If the successful bidder is the owner of the improvements, no payment is required.

6. Selling and Administrative Fee / Broker Commission:

The Land Department is authorized to pay commissions to Arizona licensed real estate brokers. The Commissioner determines the broker commission, up to a maximum of \$500,000 to be paid from the Selling and Administrative Fees collected the day of auction. The amount of the fees calculated will not exceed 3% of the purchase price. Any Selling and Administrative Fees in excess of the brokerage commission paid will be retained by the Land Department for deposit in the General Fund. Commissions will not be paid to the broker, until either a Certificate of Purchase or a Patent is officially issued to the successful bidder. When reimbursable improvements are included, the successful bidder must also pay a 2% Selling and Administrative Fee on the first \$250,000 of the appraised value of the improvements. No broker commission is paid on the appraised value of the improvements.

7. Public Auction: A verbal auction is held in the county in which the subject parcel is located. Bidding begins at the appraised land value, and is increased by established increments. The final purchase price will be the highest and best bid accepted at the auction.

PAYMENT TERMS

Flexible payment terms are available, and are determined prior to advertising the auction, and are specified in the legal auction notice.

Cash: Full cash payment of the appraised value, applicable fees and expenses, and additional monies over and above those stated in the legal auction notice, are due within 30 days after the time of sale.

Terms: Payment terms are negotiable but limited to a minimum down payment of 10% of the purchase price plus applicable fees and expenses. The maximum payment period is 25 years.

If State Trust Land is sold subject to terms, the Land Department issues and maintains a Certificate of Purchase, until the balance is paid in full. Upon satisfaction of the Certificate of Purchase, a Patent is issued to transfer title to the buyer. The buyer may request partial releases (Partial Patents) of lands held under a Certificate of Purchase, provided the necessary requirements have been met. Mineral rights on State Trust Land purchased at public auction are not transferred to the buyer.

To schedule an Application Addendum conference, or to discuss a property and your interests with an administrator, contact the Land Department's Real Estate Division at (602) 542-3000.

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